

BANK DIVISION

As a whole, our state-chartered banks are capably positioned both strategically and financially, to meet new opportunities in the changing economic and regulatory environments and continuing technological and financial innovation.

The Bank Division has legal responsibility for ensuring the Tennessee state-chartered banking system runs on a safe and sound basis. In its supervisory role, the Bank Division periodically examines the financial soundness of all state-chartered banks, savings banks, and independent non-depository trust companies. The Department met the statutory obligation of examining all institutions on either a 12-month or an 18-month basis. This was accomplished through coordination with federal banking regulators. Bank examiners perform evaluations of each institution's assets, liabilities, income and expenses; monitor compliance with governing laws and regulations; and rate the effectiveness of the institution's management. The adequacy of capital is assessed to ensure the protection of deposits. In addition, examiners review the Information Technology (IT) functions of state-chartered financial institutions for compliance with generally accepted IT practices and for adherence to Departmental regulations. Since 2005, the Bank Division began incorporating Bank Secrecy Act (BSA) reviews into its independent examinations to determine compliance with federal BSA/Anti-Money Laundering regulations. The Bank Division staff also examines Business and Industrial Development Corporations (BIDCOs) for compliance with governing statutes and evaluates applications for new institutions, branches, expanded financial activities, and corporate reorganizations.

HEADQUARTERS PERSONNEL – NASHVILLE

Tod Trulove, CEM, Assistant Commissioner
Hope Givens, Administrative Services Assistant

BANK EXAMINATION AND FINANCIAL ANALYSIS

Tony Matthews, Chief Administrator
Justin Cary, Financial Analyst
Justin McClinton, Financial Analyst
Philip Ruffin, Financial Analyst

APPLICATIONS

Joyce Simmons, CPA, Program Administrator
Debra Grissom, Applications Specialist

TRUST

Vivian Lamb, CEM, Program Administrator

EXAMINATION PERSONNEL

EAST TENNESSEE DISTRICT

Kenneth Kelley, CEM, District Manager
Louella McElroy, CEM, Off-Site Monitoring Supervisor
Claude Huff, Jr., CEM, Supervisor
Wade McCullough, CEIC, CFE, Supervisor
Robert Broshears, IT Specialist

MIDDLE TENNESSEE DISTRICT

Todd Rice, CEM, District Manager
Storm Miller, Off-Site Monitoring Supervisor
John Hudson, CEIC, Supervisor
Mike Sisk, CEIC, Supervisor
Sherri Cassetty, CEIC, Trust Examination Specialist
Clyde McClaran, IT Specialist

WEST TENNESSEE DISTRICT

Shirley Sanderson, CEM, District Manager
Phil Stafford, CEIC, Off-Site Monitoring Supervisor
Danny Nolen, CEM, Supervisor
Terry Warren, CEIC, Supervisor
Bruce Allen, CEIC, Trust Examination Specialist
Jerry Davis, CEIC, IT Specialist
Vicki Ivey, CEIC, IV



Jonathan Piper, CEIC, IV
Brooke Roberson, II
C. Bradley Williams, II
Chad Holbert, I
Robert Stanton, I

David Tate, IV
Trina Buffum, I
Alan Kirkwood, I
JoAnn Schumann, I
Ekaette Udouman, I

Robert Prather, CEIC, IV
Timothy Runions, CEIC, IV
Roxanne Taylor, CEIC, IV
Toniece Johnson, II
Judy Morgan, II
Tara Smith, II

BANK DIVISION

**BANK DIVISION INFORMATION AT A GLANCE
(AS OF JUNE 30, 2006)****BANK DIVISION REGULATED INSTITUTIONS:**

161 Banks
3 BIDCOS (Business and Industrial Development Corporations)
8 independent non-depository trust companies

BANK DATA**CONSOLIDATED TOTAL ASSETS:**

- \$33.4 billion, representing a \$3.9 billion increase since June 30, 2005

CONSOLIDATED CAPITAL:

- \$3.45 billion, representing 10.33 percent of Total Assets

RETURN ON AVERAGE ASSETS (ROAA):

- Median ROAA of 0.92 percent with a median net interest margin of 4.26 percent (includes all banks)

ALLOWANCE FOR LOAN AND LEASE LOSSES (ALLL):

- Median ALLL to Total Loans and Lease ratio of 1.25 percent

PAST DUE RATIO:

- Median past-due ratio of 1.48 percent

TRUST COMPANY DATA**TOTAL CONSOLIDATED CORPORATE ASSETS:**

- \$29 million, representing a 4.38 percent increase over the past year

AGGREGATED NET INCOME FOR TRUST COMPANIES:

- \$1.7 million, representing a 6.56 percent increase compared to the same period in 2005

TRUST ASSETS UNDER MANAGEMENT AND/OR CUSTODY:

- Grew 10 percent from \$8.9 billion to \$9.8 billion, inclusive of assets invested in common/collective trust funds

UPDATE ON SENTINEL TRUST COMPANY (CURRENTLY IN LIQUIDATION)

As of December 31, 2006, the Department continues to oversee the liquidation of Sentinel Trust Company, Hohenwald, TN subject to a Notice of Liquidation issued on June 18, 2004. During the course of its annual regulatory examination, the Department determined that the Company was engaging in unsafe and unsound fiduciary practices. These practices had caused a shortage in the fiduciary cash position for which Sentinel's capital was insufficient to cover.

As a result, pursuant to Tennessee Code Annotated Section 45-2-1501 et seq., former Commissioner Kevin P. Lavender took possession of Sentinel on May 18, 2004. Immediately thereafter, pursuant to Tennessee Code Annotated Section 45-2-1502(b) (2), the Commissioner issued an Order appointing a Receiver.

Since December 31, 2005, the remaining two defaulted bond issues being managed by the Receiver have been resolved. One was resolved by the liquidation of collateral and the payment of proceeds to the bondholders. The second was authorized for a successor trustee after approval of its bankruptcy plan.

The proof of claim process for the cash that was purportedly held in the Fiduciary Cash Account has been completed. The Receiver has been ordered to make an initial distribution of approximately \$3.9 million from the pre May 18, 2004 trust account. This represents a 38% distribution on the approved claims. This payment is expected to take place at the end of February 2007, assuming no appeal is taken from the Order.

BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATIONS (BIDCOS)

Tennessee Code Annotated, Section 45-8-225, requires a report to be published annually that summarizes the accomplishments of the various BIDCOs operating in Tennessee. As of June 30, 2006, the Department supervised the operation of three BIDCOs. As of December 31, 2005, the three BIDCOs provided financing totaling \$8,036,861 to 17 small businesses, which is a 77.59 percent increase from the previous year. As a result of the loans to these businesses, 172 jobs were preserved and/or created. The summary analysis of the number and dollar amount of loans extended to certain broad categories is detailed as follows:

Category	Number	Amount
Services	3	\$ 2,561,361.00
Retail Trade	9	\$ 1,478,500.00
Finance, Insurance, Real Estate	2	\$ 747,000.00
Manufacturing	2	\$ 2,250,000.00
Construction	1	\$ 1,000,000.00
Total	17	\$ 8,036,861.00

BANK DIVISION**BANK DIVISION APPLICATION ACTIVITIES FY 2005-2006****NEW BANKS AND TRUST COMPANIES**

- Civic Bank & Trust, Nashville, TN (July 2005)
- Putnam 1st Mercantile Bank, Cookeville, TN (November 2005)
- First Vision Bank of Tennessee, Tullahoma, TN (November 2005)
- The Bank of Tullahoma, Tullahoma, TN (November 2005)
- Reliant Bank, Brentwood, TN (January 2006)
- Heritage Bank & Trust, Columbia, TN (March 2006)
- First Freedom Bank, Lebanon, TN (April 2006)
- Triumph Bank, Germantown, TN (June 2006)

BANK MERGERS

- Jackson Bank & Trust, Gainesboro, TN, merged with and into FSG Bank, National Association, Chattanooga, TN, under the title of FSB Bank, National Association, Chattanooga, TN (August 2005)
- Cavalry Banking, Murfreesboro, TN, merged with and into Pinnacle National Bank, Nashville, TN, under the title of Pinnacle National Bank, Nashville, TN (March 2006)
- United Community Bank Tennessee, Lenoir City, TN, merged with and into United Community Bank, Blairsville, GA, under the title of United Community Bank, Blairsville, GA (April 2006)
- Farmers Bank, Cornersville, TN, merged with and into Citizens Bank & Savings Company, Russellville, AL under the title of Citizens Bank & Savings Company, Russellville, AL (May 2006)
- Bells Banking Company, Bells, TN, merged with and into Merchants & Farmers Bank, Kosciusko, MS under the title of Merchants & Farmers Bank, Kosciusko, MS (May 2006)

CONVERSIONS

- First Farmers and Merchants Bank, Columbia, TN converted from a national bank to a state chartered commercial bank (July 2005)

BIDCO TRANSACTIONS

- Bridge Funding Corporation, Brentwood, TN – new BIDCO (July 2005)

* There were no new trust companies or trust company voluntary corporate transactions for fiscal year 2005-2006.